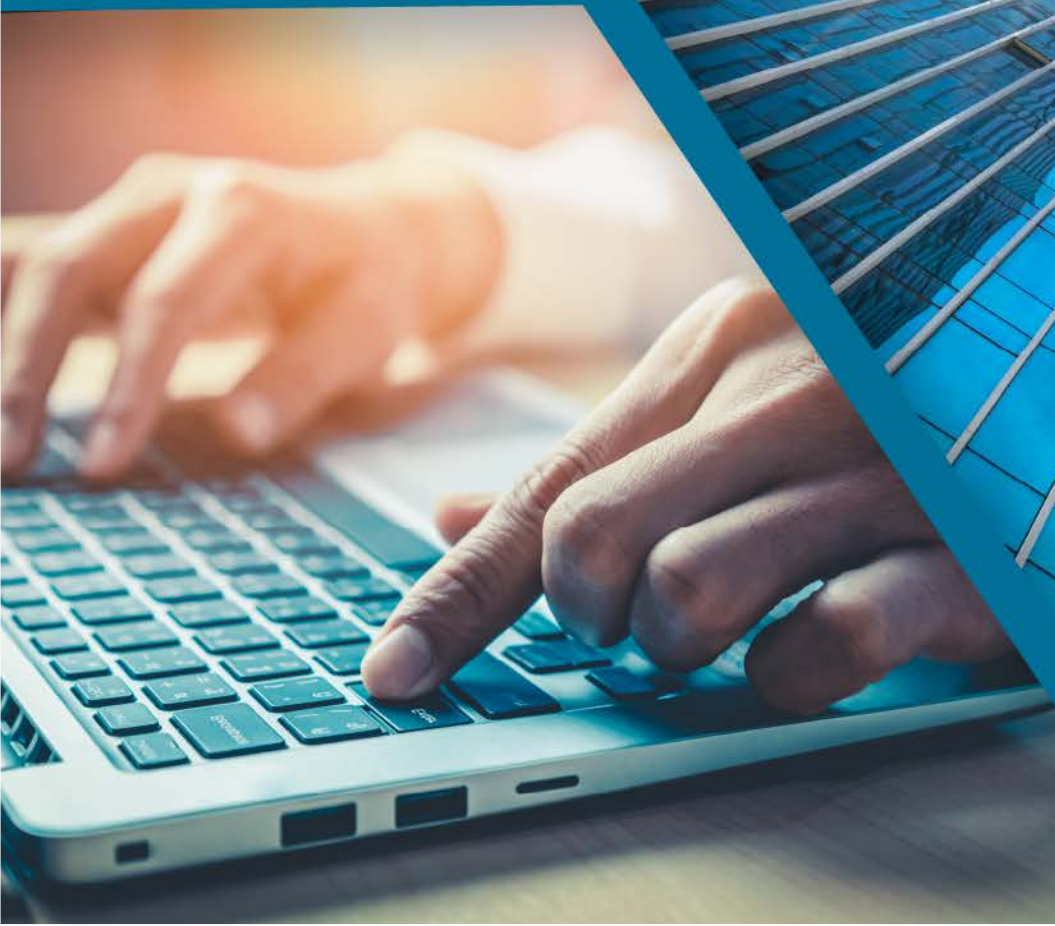


# Applicable Large Employer ACA Reporting Guide

Provided by Higginbotham



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# Chapter 1: Overview

## Overview of This Employer Guide

This guide is intended to provide information for applicable large employers (ALEs) on their reporting requirements under Internal Revenue Code (Code) Sections 6055 and 6056.

- Section 6056 requires ALEs to report information about offers of health coverage to full-time employees (and family members).
- Section 6055 requires ALEs that sponsor self-insured health plans to report information about enrollment in health coverage by employees (and family members), regardless of full-time status.

This guide does not include reporting requirements for employers who are not ALEs. There are no reporting obligations for non-ALEs without a plan or non-ALEs with fully insured plans (because non-ALEs are not subject to Section 6056 reporting and the carrier will complete Section 6055 reporting). Non-ALEs that sponsor self-insured group health plans will use separate reporting forms that are not included in this guide.

Topics covered in this guide include:

- ALEs that are responsible for reporting
- The forms that are used to accomplish the reporting
- The information an ALE must provide to the IRS regarding offers of health coverage and enrollment in health coverage
- The deadlines for providing information to the IRS, employees and covered individuals
- How information must be provided to the IRS, employees and covered individuals
- The penalties an ALE may face if it fails to satisfy the reporting requirements

The information in this guide is based on current guidance available from the Internal Revenue Service (IRS), but specific requirements may change from year to year. This guide will be updated with new information as it becomes available; please contact Higginbotham for questions about updates.

## Background

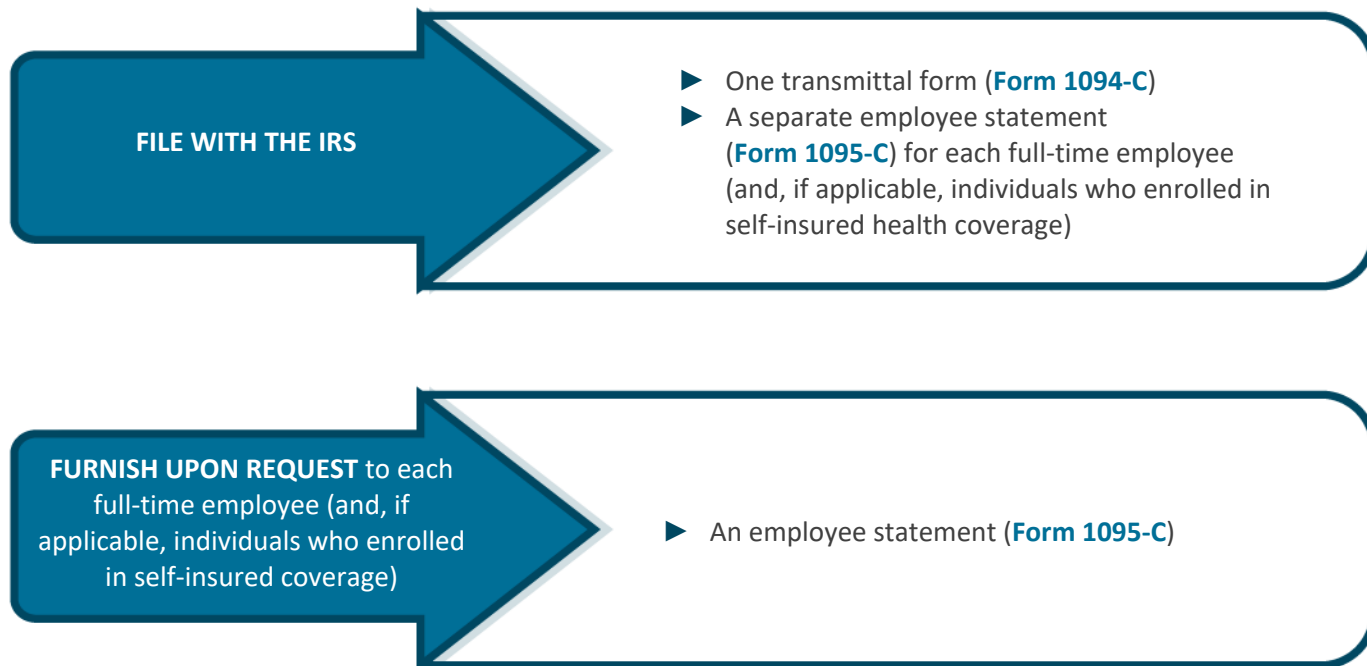
The Affordable Care Act (ACA) created reporting requirements under Code Sections 6055 and 6056. Section 6056 requires ALEs to file information returns with the IRS and provide statements to their full-time employees about the health coverage it offered (or did not offer) to its full-time employees. Section 6055 requires entities that provide minimum essential coverage to individuals (such as health insurance issuers and sponsors of self-insured health plans), to report information on this coverage to the IRS and to individuals enrolled in the coverage.

### New Legislation Streamlines Reporting Requirements

Under the original reporting rules, reporting entities had to furnish statements annually to each covered individual (under Section 6055) and each of the ALE's full-time employees (under Section 6056). These statements were provided using Forms 1095-B and 1095-C; however [new legislation](#) allows reporting entities to provide these statements **only when requested**. Timely notice of this option must be given in accordance with any IRS requirements. Statements can be provided electronically to individuals if they have affirmatively consented at any prior time. More details on the new legislation can be found in Chapter 9 of this guide.

While ALEs with fully insured health plans are only responsible for Section 6056 reporting, ALEs that sponsor self-insured health plans are responsible for reporting under both Sections 6055 and 6056. To streamline and prevent duplication under each reporting requirement, ALEs with self-insured coverage will combine Section 6055 and Section 6056 reporting using Forms 1094-C and 1095-C.

The following table provides an overview of an ALE's reporting responsibilities:



All ALEs are required to report under Section 6056 for any year in which they have full-time employees. This means that all ALEs must report information for all of their full-time employees, regardless of whether they offered coverage to any employees during the calendar year. While an ALE without any full-time employees is not required to report under Section 6056, an ALE that sponsors a self-insured health plan in which any employee (or a spouse or dependent of any employee) has enrolled is required to satisfy the Section 6055 information reporting requirements. This is the case for any individual who was an employee (or spouse or dependent of an employee) for any month of the year, whether or not the ALE has any full-time employees and whether or not the employee is a full-time employee.

The information reported is used to determine whether an ALE owes an employer shared responsibility penalty under Code Section 4980H. It is also used to determine whether an employee is eligible for a premium tax credit to help pay for health insurance coverage provided through the Exchange. For ALEs that sponsor self-insured health plans, the information reported is used by the IRS to administer—and by individuals to show compliance with—the ACA’s individual shared responsibility provisions (although this penalty has been reduced to zero as of 2019).

#### **Section 4980H: The Employer Shared Responsibility (Pay or Play) Rules**

ALEs must offer affordable, minimum value health coverage to their full-time employees (and dependents) or face a penalty. This penalty only applies if a full-time employee receives a premium tax credit to help pay for Exchange coverage. Employees are not eligible for a premium tax credit if their employer offers them affordable, minimum value health coverage.

## Chapter 2: Resources

The IRS provides reference materials and guidance regarding an ALE's reporting requirements, which may be found using the links below.

### Forms and Instructions

[Form 1094-C](#), Transmittal of Employer-Provided Health Insurance Offer and Coverage Information Returns

[Form 1095-C](#), Employer-Provided Health Insurance Offer and Coverage

[Instructions](#) for Forms 1094-C and 1095-C

[Form 8809](#) for filing extensions

### Publications

[Publication 5223](#): General Rules and Specifications for Substitute Forms

[Publication 5165](#): Guide for Electronically Filing ACA Information Returns

### Questions and Answers

[Q&As](#) on Section 6056 Reporting

[Q&As](#) on Employer Reporting using Form 1094-C and Form 1095-C

### Regulations

[Final regulations](#) on Section 6056 Reporting

[Final regulations](#) on the Employer Shared Responsibility Rules

### Miscellaneous

IRS webpage: [Information Reporting by Applicable Large Employers](#)

IRS webpage: [ACA Information Center for Applicable Large Employers](#)

# Chapter 3: Who Must Report

## Applicable Large Employers

Employers that are subject to the ACA's employer shared responsibility rules under Code Section 4980H, referred to as "applicable large employers" or ALEs, must report information required under Section 6056 about offers of health coverage to full-time employees (and family members). These reporting requirements apply to **all ALEs**, regardless of whether the ALE offers coverage to any of its full-time employees and regardless of whether the ALE is a tax-exempt or government entity (including federal, state, local and Indian tribal governments).

Only ALEs that have full-time employees during a year are required to report under Section 6056 for that year. However, if an ALE sponsors a self-insured health plan, it must report enrollment information under Section 6055, regardless of whether it has any full-time employees and whether the enrolled employee is full-time.

An employer is an ALE for a calendar year if it employed an average of at least **50 full-time employees**, including full-time equivalent employees (FTEs), during the previous calendar year. The process for determining whether an employer is an ALE is discussed in more detail later in this chapter.

## Combined Reporting

Employers that are subject to both reporting provisions (generally, ALEs that sponsor self-insured group health plans) will use a combined reporting method. To allow these ALEs to satisfy both reporting requirements on a single return, Form 1095-C has separate sections for reporting under Section 6055 and for reporting under Section 6056:

- An ALE that sponsors a self-insured plan will complete all sections (Parts I, II and III) of Form 1095-C to report the information required under both Sections 6055 and 6056. Therefore, these ALEs will use a single form to report information regarding whether an employee was covered. However, ALEs that offer self-insured health coverage to non-employees who enroll in the coverage have the option to use Forms 1094-B and 1095-B rather than Form 1095-C, Part III, to report coverage for those individuals and other family members.
- An ALE that provides insured coverage will also report on Form 1095-C, but will complete only the sections of Form 1095-C related to Section 6056 (Parts I and II).

ALEs will also provide only a single individual statement (with the Section 6056 information and, for employers with a self-insured group health plan, Section 6055 information), if requested.

## Determining ALE Status

Whether a particular employer is considered an ALE for a calendar year is determined according to a specific formula. This formula involves counting each employee's hours of service over the entire previous calendar year. An **hour of service** includes each hour for which an employee was paid or entitled to payment (even if it was for paid time off) from the employer. The steps for determining ALE status are outlined below.

### 1 Full-time employee count

Determine the number of full-time employees the employer employed in each calendar month of the previous year.

- A **full-time employee** for a calendar month is an individual who had, on average, at least 30 hours of service per week (or at least 130 hours total) during the month.

### 2 FTE employee count

Determine the number of FTEs the employer employed in each calendar month of the previous year.

- Combine the total hours of service of all part-time employees (only including up to 120 hours per employee) and divide the total by 120.
- The result may be rounded to the nearest 100th.

### 3 Add full-time and FTE counts

Add the number of full-time employees to the number of FTEs for each calendar month.

### 4 Add monthly totals

Add all monthly totals of full-time and FTE employees together to find the total number of full-time and FTE employees for the calendar year.

### 5 Divide annual employee count by 12

Divide the total number of full-time and FTE employees for the calendar year by 12 to find the average number of full-time and FTE employees for the calendar year.

## Aggregated ALE Groups

Related employers are treated as a single employer for determining employer size if they meet certain IRS criteria. Specifically, all entities that are treated as a single employer under Code Sections 414(b), (c), (m) or (o) are combined and treated as a single employer for purposes of determining whether the collective entity has at least 50 full-time (and FTE) employees. Together, these related entities are called an Aggregated ALE Group.

When the combined total of all full-time (and FTE) employees of all employers within an Aggregated Group meets the threshold, every company in the group is an ALE that is subject to the employer shared responsibility rules, as well as the related reporting requirements. This is the case even if each company in the group did not have enough employees to be an ALE on its own.

Each separate company within an Aggregated ALE Group is called an **ALE Member**.



Each ALE Member is responsible for its own reporting. This means that each ALE Member must separately file returns with the IRS, and furnish statements to its own employees if requested, using its own employer identification number (EIN).

### Seasonal Worker Exception

An employer (or group of related employers) may not be an ALE for a calendar year if:

- Its workforce exceeded 50 full-time (and FTE) employees for only 120 days or fewer during the preceding calendar year; and
- The employees in excess of 50 who were employed during that time were seasonal workers.

Employers may apply either a period of **four calendar months** or **120 days** to determine if it meets the seasonal worker exception. These time periods do **not** have to be consecutive.

**Seasonal workers** are those who are only employed for a portion of the year due to the nature of the employment, including retail workers who are employed exclusively during holiday seasons.

### New Employers

If an employer did not exist in the previous year, it will be considered an ALE for the current year if, at the time it came into existence, it reasonably expected that it would employ an average of at least 50 full-time (and FTE) employees during the current year.

### Designating a Third Party to File on Behalf of an ALE

An ALE can use a third party to facilitate or complete its reporting obligations. However, this does not transfer the ALE's potential liability for penalties under the employer shared responsibility rules, nor the potential liability for penalties for failure to properly report (except in the case of a related entity properly designated by a governmental unit). Penalties for failures to report are further discussed in Chapter 10 of this guide.

If a person who prepares the returns or statements is a tax return preparer, that person will be subject to the requirements generally applicable to tax return preparers.

Using a third party to furnish statements to full-time employees or to file returns with the IRS does **not** transfer an ALE's potential liability for penalties.

An ALE that is a governmental unit or agency may report on its own, or it may designate (in writing) another person to report on its behalf, as long as the designation meets certain criteria. The designated person—called a Designated Government Entity (DGE)—must be a person or persons who are part of (or related to) the governmental unit ALE. In this case, the DGE is responsible for providing the information and is liable for penalties for failure to comply.

### Reporting for Union Employees

In general, each ALE is required to report information about its own full-time employees. In most cases, this rule applies regardless of whether employees are union or non-union employees. The IRS has approved an optional reporting approach for ALEs with full-time employees who are eligible to participate in a **multiemployer plan** under a collective bargaining agreement or another similar arrangement. Under this option:

- The multiemployer plan administrator would report for the full-time employees who are eligible for the multiemployer plan (generally, the union employees).

- The ALE would file returns related only to the full-time employees who are not eligible for the multiemployer plan.

However, this approach may not be available to most ALEs because multiemployer plan administrators may not be willing or able to file returns due to existing fiduciary requirements. In this case, the ALE must report information regarding both union and nonunion employees. There are special rules for ALEs that contribute to a multiemployer plan on behalf of any employees and special instructions for reporting those employees (discussed more in Chapter 6 of this guide).

In addition, the reporting and furnishing requirements apply only to the ALE and not to the relevant plan in which the employee participates. Therefore, although multiemployer plan administrators may prepare and submit returns for certain employees of an ALE, the ALE would remain the responsible person with respect to all of its full-time employees and would be subject to any potential penalties for failure to properly file returns or furnish requested statements.

# Chapter 4: Forms

## Required Forms

ALEs must use **Forms 1094-C** and **1095-C** to meet their reporting obligations under Section 6056. These forms will also be used for combined reporting by ALEs who report under both Sections 6055 and 6056.

Form	Purpose
<b>Form 1094-C: Transmittal of Employer-Provided Health Insurance Offer and Coverage Information Return</b>	Reports summary information about the ALE (or ALE member) and transmits Forms 1095-C to the IRS
<b>Form 1095-C: Employer-Provided Health Insurance Offer and Coverage</b>	Reports information about the offer of coverage made to each full-time employee (and, if applicable, individuals enrolled in self-insured coverage)

In addition, Forms 1094-C and 1095-C are used to determine whether an employer owes an employer shared responsibility penalty under Section 4980H. Form 1095-C is also used in determining an employee's eligibility for a premium tax credit to help pay for health insurance coverage obtained through an Exchange (or Marketplace).

Substitute forms that comply with applicable requirements may be used as long as the required information is included. Specific requirements for substitute forms are outlined in [IRS Publication 5223](#). Substitute forms must conform to these requirements to be acceptable for filing with the IRS. Reporting entities may not request special consideration.

The IRS will **not** accept substitute forms that do not comply with the guidelines found in Publication 5223.

## Filing and Furnishing the Required Forms

Each ALE must file information returns with the IRS and furnish statements to its full-time employees if requested. Self-insuring ALEs must also furnish statements to each employee and family member who enrolls in the self-insured health coverage and requests one, regardless of whether the employee is a full-time employee for any month of the calendar year.

### File with the IRS

- ▶ At least one transmittal form (Form 1094-C)
- ▶ A separate statement for each full-time employee (Form 1095-C) (and, if applicable, each employee who enrolled in the self-insured health coverage or enrolled a family member in the coverage)

### Furnish to each full-time employee upon request (and, if applicable, each covered individual for self-insured coverage)

- ▶ An employee statement (Form 1095-C)

Specific deadlines apply for filing returns with the IRS and certain requirements apply to furnishing statements upon request. See Chapter 5 of this guide for more information.

## Recordkeeping

ALEs should generally keep copies of information returns filed with the IRS (or have the ability to reconstruct the data) for at least three years from the due date of the returns.

## 2024 Forms

The following illustrations provide an overview of the required forms and the filing and furnishing responsibilities for ALEs related to 2024 offers of coverage.

### Form 1094-C and Form 1095-C for 2024

ALEs must file all of the following with the IRS:

**Form 1095-C** Employer-Provided Health Insurance Offer and Coverage

2024

Part I: Employee Information

Part II: Employee Offer of Coverage

Employee	Employee Age on January 1											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1												

**Form 1094-C** Transmittal of Employer-Provided Health Insurance Offer and Coverage Information Returns

2024

Part I: Applicable Large Employer Member (ALE Member)

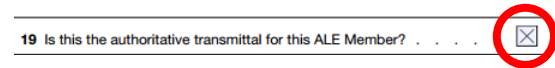
Part II: ALE Member Information

19. Is this the authoritative transmittal for this ALE Member?  Yes  No

Electronically file with the IRS by **March 31, 2025**

**Completed Forms 1095-C:** One for each person who was a full-time employee for any month in 2024 (and, if applicable, each individual who enrolled in the self-insured health coverage or enrolled a family member in the coverage)

**One completed Form 1094-C:** With the box on **Line 19** checked to indicate it is the **Authoritative Transmittal**. ALEs may file more than one Form 1094-C, but only one will be the Authoritative Transmittal.



Form 1095-C for 2024

600120

**Form 1095-C**  
Department of the Treasury  
Internal Revenue Service

**Employer-Provided Health Insurance Offer and Coverage**  
Do not attach to your tax return. Keep for your records.  
Go to [www.irs.gov/Form1095C](http://www.irs.gov/Form1095C) for instructions and the latest information.

VOID  
 CORRECTED

CMB No. 1545-2251  
**2024**

Part I Employee				Applicable Large Employer Member (Employer)											
1 Name of employee (first name, middle initial, last name)		2 Social security number (SSN)		7 Name of employer				8 Employer identification number (EIN)							
3 Street address (including apartment no.)				9 Street address (including room or suite no.)				10 Contact telephone number							
4 City or town		5 State or province		6 Country and ZIP or foreign postal code		11 City or town		12 State or province		13 Country and ZIP or foreign postal code					
Part II Employee Offer of Coverage				Employee's Age on January 1						Plan Start Month (enter 2-digit number):					
	All 12 Months	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec		
14 Offer of Coverage (enter required code)															
15 Employee Required Contribution (see instructions)	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$		
16 Section 4980H Safe Harbor and Other Relief (enter code, if applicable)															
17 ZIP Code															

For Privacy Act and Paperwork Reduction Act Notice, see separate instructions.
Cat. No. 80705M
Form 1095-C (2024)

Furnish to full-time employees and covered individuals **upon request** (by Jan. 31 of the year following the year in which the return relates or 30 days after the date of the request, whichever is later)

Complete a **Form 1095-C (Parts I and II)** for each person who was a full-time employee for any month in 2024. If the ALE offers self-insured health coverage, complete **Part III** for each employee or other individual that enrolled in the coverage. The enrolled employee should be listed on **line 18**; any other family members who enrolled in coverage offered to the employee should be listed on subsequent lines.

If requested, furnish **each full-time employee/covered individual** with a copy of the form with their own information.

## Chapter 5: Deadlines

The required forms must be filed with the IRS by a certain date, and if requested, furnished to full-time employees and individuals who enrolled in self-insured health coverage (if applicable). Forms are due in the year after the calendar year to which the forms relate. The reporting deadlines will generally be consistent from year to year. However, if the deadline falls on a weekend or holiday, the due date is the next business day.

### Deadlines for 2024 Reporting

Electronic IRS returns for 2024 must be filed by **March 31, 2025**. Paper returns must be filed by Feb. 28, 2025. ALEs can file up to 10 returns on paper under the revised electronic filing threshold, which Chapter 9 discusses in more detail.

On Dec. 23, 2024, [legislation](#) was enacted providing that reporting entities are no longer required to furnish statements to individuals **unless they request it**. Reporting entities must provide a “clear, conspicuous, and accessible notice” to individuals that they may request a statement, in accordance with any requirements set by the IRS. Requests must be fulfilled by Jan. 31 of the year following the calendar year to which the return relates or 30 days after the date of the request, whichever is later.

The deadlines for 2024 reporting are outlined in the chart below.

2024 Reporting Requirement	2025 Deadline
File Forms 1094-C and 1095-C electronically with the IRS	<b>March 31, 2025 (Feb. 28, 2025 for paper returns, but only up to 10 returns can be filed on paper)</b>
Furnish a copy of Form 1095-C to full-time employees <u>upon request</u> (and, if applicable, each employee who enrolled in the self-insured health coverage or enrolled a family member in the coverage)	Jan. 31 of the year following the calendar year to which the return relates or 30 days after the date of the request, whichever is later

## Deadlines for Later Years

The following deadlines will generally apply for reporting information for 2025 and later calendar years:

Reporting Requirement	Deadline
File Forms 1094-C and 1095-C electronically with the IRS	<b>March 31</b> of the following year
Furnish a copy of Form 1095-C to full-time employees <u>upon request</u> (and, if applicable, each employee who enrolled in the self-insured health coverage or enrolled a family member in the coverage)	Jan. 31 of the year following the calendar year to which the return relates or 30 days after the date of the request, whichever is later

### General Deadline Extensions

If any reporting deadline falls on a Saturday, Sunday or legal holiday, the deadline will be extended to the next business day.

ALEs may receive an **automatic 30-day extension of time to file** the required information with the IRS by completing and filing [Form 8809](#), *Application for Extension of Time to File Information Returns*, **by the due date of the returns**.

No signature or explanation is required for this automatic extension. Under certain hardship conditions, employers may also apply for an additional 30-day extension. See the instructions for Form 8809 for more information.

## Chapter 6: Completing Form 1095-C

An ALE must report specific information about each of its full-time employees regarding the health coverage the ALE offered to each full-time employee in each month of the year (if any). This requirement applies to all ALEs, regardless of whether they offered health coverage to all, none or some of their full-time employees.

Self-insuring ALEs must also report information about employees (and their family members) who enroll in the self-insured health coverage, regardless of whether the employee is a full-time employee for any month of the calendar year. This is done using Part III of Form 1095-C, which is discussed in greater detail on page 23 of this guide. **The following information applies to Parts I and II of Form 1095-C.**

All ALEs may use the **general method of reporting** to report the information required under Section 6056. Two **alternative methods of reporting** are also available for ALEs that meet certain eligibility requirements. This chapter primarily discusses reporting under the general method of reporting. More information about the alternative methods of reporting is available in Chapter 8 of this guide.

### Complete a Form 1095-C for Each Full-time Employee

Every ALE is required to report information about each of its full-time employees. Even if an ALE does not offer coverage to any full-time employees, it must still file returns with the IRS and furnish statements to each full-time employee (if requested) under Section 6056.

An ALE is **not** required to file a Form 1095-C for an individual who was:

- Not a full-time employee for any month of the calendar year; or
- In a Limited Non-assessment Period for the entire calendar year.

For example, an ALE would not complete a Form 1095-C for an employee who was hired mid-year and then was in an initial measurement period that continued into the following year.

### Part I: Information About the Employee and the Employer

Each Form 1095-C must include specific information about the ALE and the employee to which the form relates. This information is reported in Part I of each form. There are separate sections for information regarding the employee and the ALE.

- **Employee:** Report the employee's name, Social Security number (SSN) and address (Lines 1-6).
- **Applicable Large Employer Member (Employer):** Report the employer's name, employer identification number (EIN), address and telephone number (Lines 7-13).



## Part II: Information About the Offer of Coverage

In Part II of Form 1095-C, the ALE will indicate whether an offer of minimum essential coverage (MEC) was made to the employee and the employee's family members. If so, the ALE will provide certain information about the coverage. The ALE will also use this section to indicate whether a Section 4980H safe harbor applies for that employee.

The **Plan Start Month** section identifies the date on which the employer's plan year begins. Completing this section is now mandatory, and the ALE may not leave it blank. To complete the Plan Start Month section, enter the two-digit number (01 through 12) indicating the calendar month during which the plan year begins of the health plan in which the employee is offered coverage (or would be offered coverage if the employee were eligible to participate in the plan). If more than one plan year could apply (for instance, if the ALE changes the plan year during the year), enter the earliest applicable month. If there is no health plan under which coverage is offered to the employee, enter "00."

### Offer of Coverage (Line 14)

An ALE will complete Line 14 of the Form 1095-C to indicate whether it offered MEC to the employee. If an offer of MEC was made, the ALE would report whether the MEC provided minimum value (MV) and whether coverage was also offered to the employee's spouse and dependents. If the employer is using the Qualifying Offer Method of reporting for the employee, the affordability of coverage will also be reported on Line 14. See Chapter 8 of this guide for more information on the Qualifying Offer Method.

Information on the offer of coverage is reported using indicator codes. Specifically, the ALE will use Code Series 1 to report information regarding whether coverage was offered and, if so, the information about the coverage. See the table on pages 17-18 of this guide for more details about Code Series 1.

Unless a code is entered in the "All 12 Months" box, a code must be entered for each calendar month (January through December), even if the employee was not a full-time employee for one or more of the calendar months.

An ALE is considered to have offered health coverage for a month only if the offered coverage would **provide coverage for every day of that calendar month**. If an employee terminates their employment before the last day of a month, and the ALE terminates that employee's coverage (or offer of coverage) as of the date of the employee's termination, the employee does not actually have an offer of coverage for that month. In this case, the ALE would indicate that it did **not** offer coverage for the month (using Code 1H), and the ALE would qualify for transition relief for that employee and month (by entering Code 2B from Code Series 2 on Line 16 of the 1095-C for that month—see below for more information about Line 16 and Code Series 2).

In all cases, if the employee was not actually offered coverage, the ALE should enter Code 1H (no offer of coverage) on line 14.

### Minimum Essential Coverage (MEC)

Most employer-sponsored health plans will qualify as MEC, which includes:

- Both insured and self-insured group health plans; and
- Grandfathered plans under the ACA.

MEC does **not** include certain specialized coverage or excepted benefits.

In addition to specifying whether coverage was offered to the employee, the codes in Code Series 1 specify the type of coverage, if any, that was offered to the employee's spouse and the employee's dependents. For coverage reporting purposes, the term "**dependent**" means the employee's biological or adopted child who has not reached age 26. However, a child is still a dependent for the entire month in which they turn 26. The term "dependent" does **not** include the employee's spouse, stepchildren or foster children.

For coverage reporting purposes, the term "**dependent**" means the employee's biological or adopted child who has not reached age 26.

#### Offers of COBRA Coverage

If an employee was offered COBRA coverage, choosing the code to use from Code Series 1 will depend on the reason for the offer of COBRA coverage:

- For an employee whose employment was terminated, Code 1H (no offer of coverage) would apply; and
- For an employee who remained actively employed but was offered COBRA coverage due to a reduction in hours or for other reasons, the same codes that apply to other active employees would apply.

#### *Conditional Offer of Spousal Coverage*

Codes 1J and 1K address conditional offers of spousal coverage (also referred to as coverage offered conditionally). A conditional offer is an offer of coverage that is subject to one or more reasonable, objective conditions (for example, an offer to cover an employee's spouse only if the spouse is not eligible for coverage under Medicare or a group health plan sponsored by another employer). Using Codes 1J and 1K, an ALE may report a conditional offer to a spouse as an offer of coverage, regardless of whether the spouse meets the reasonable, objective condition.

A conditional offer generally would impact a spouse's eligibility for the premium tax credit only if all conditions to the offer are satisfied (that is, the spouse was actually offered and eligible for the coverage). To help employees (and spouses) who have received a conditional offer determine their eligibility for the premium tax credit, the ALE should be prepared to provide, upon request, a list of any and all conditions applicable to the spousal offer of coverage.

#### *Offers of Individual Coverage HRAs*

Codes 1L through 1U address offers of individual coverage HRAs (known as ICHRAs). Beginning with the 2020 plan year, employers may offer HRAs integrated with individual health insurance coverage or Medicare, subject to certain conditions. These additional codes in Code Series 1 should be used in cases where the ALE offered an ICHRA to the employee and/or the employee's family members.

Affordability for purposes of an ICHRA is generally determined by reference to the lowest-cost silver plan for the employee offered through the Exchange where **the employee's primary residence** is located. The ZIP code for the employee's primary residence is used to identify the applicable lowest silver plan for this purpose. However, a location safe harbor allows ALEs to use the lowest-cost silver plan for the employee offered through the Exchange where **the employee's primary site of employment** is located for determining affordability of an ICHRA. The ZIP code for the employee's primary site of employment is used to identify the applicable lowest silver plan for this purpose.

*Codes in Code Series 1*

The following table provides additional details about how to use the codes in Code Series 1 for completing Line 14 of the Form 1095-C.

**Code Series 1**

Code	Description	Use if:
<b>1A</b>	Qualifying Offer: MEC providing MV offered to full-time employee with employee required contribution for self-only coverage equal to or less than 9.5% (as adjusted) of mainland single federal poverty line and at least MEC offered to spouse and dependent(s)	The employee was given a Qualifying Offer. This code can be used even if a Qualifying Offer was not made for the entire year. <b>See Chapter 8 of this Guide for more information on this Code.</b>
<b>1B</b>	MEC providing MV offered to the employee only	The employer's coverage excludes spouses and dependent children
<b>1C</b>	MEC providing MV offered to the employee and at least MEC offered to dependent(s) (not spouse)	The employer's coverage excludes spouses
<b>1D</b>	MEC providing MV offered to the employee and at least MEC offered to spouse (not dependent(s))	The employer's coverage excludes dependent children. Do not use if the coverage for the spouse was offered conditionally.
<b>1E</b>	MEC providing MV offered to the employee and at least MEC offered to dependent(s) and spouse	The employer's coverage is offered to the whole family and provided MV to at least the employee. Do not use if the coverage for the spouse was offered conditionally.
<b>1F</b>	MEC NOT providing MV offered to employee; employee and spouse or dependent(s); or employee, spouse and dependents	The employer's coverage does not provide MV
<b>1G</b>	Offer of coverage to an individual who was not a full-time employee for any month of the calendar year (which may include one or more months in which the individual was not an employee) AND who enrolled in self-insured coverage for one or more months of the calendar year	The ALE offers a self-insured plan and is using Form 1095-C, Part III, to report under Section 6055 for an individual who was not a full-time employee for any month of the calendar year
<b>1H</b>	No offer of coverage (employee not offered any health coverage or was offered coverage that is not MEC, which may include one or more months in which the individual was not an employee)	<ul style="list-style-type: none"> <li>The employee was not eligible to enroll in coverage for the entire month</li> <li>The coverage offered was not MEC</li> <li>The employee terminated employment during the month and COBRA coverage was offered</li> </ul>
<b>1I</b>	Reserved for future use.	
<b>1J</b>	MEC providing MV offered to the employee and at least MEC conditionally offered to spouse; MEC not offered to dependent(s)	The employer's coverage includes a conditional offer of spousal coverage, but excludes dependent children
<b>1K</b>	MEC providing MV offered to the employee; at least MEC conditionally offered to spouse; and MEC offered to dependent(s)	The employer's coverage is offered to the whole family, and includes a conditional offer of spousal coverage
<b>1L</b>	ICHRA offered to employee only with affordability determined by using employee's primary residence location ZIP code	The employer offered an ICHRA to the employee, and determined the ICHRA's affordability using the employee's residence ZIP code

<b>1M</b>	ICHRA offered to employee and dependent(s) (not spouse) with affordability determined by using employee's primary residence location ZIP code	The employer offered an ICHRA to the employee and dependent children, and determined the ICHRA's affordability using the employee's residence ZIP code
<b>1N</b>	ICHRA offered to employee, spouse, and dependent(s) with affordability determined by using employee's primary residence location ZIP code	The employer offered an ICHRA to the whole family, and determined the ICHRA's affordability using the employee's residence ZIP code
<b>1O</b>	ICHRA offered to employees only using the employee's primary employment site ZIP code affordability safe harbor	The employer offered an ICHRA to the employee, and determined the ICHRA's affordability using the employee's worksite ZIP code
<b>1P</b>	ICHRA offered to employee and dependent(s) (not spouse) using the employee's primary employment site ZIP code affordability safe harbor	The employer offered an ICHRA to the employee and dependent children, and determined the ICHRA's affordability using the employee's worksite ZIP code
<b>1Q</b>	ICHRA offered to employee, spouse, and dependent(s) using employee's primary employment site ZIP code affordability safe harbor	The employer offered an ICHRA to the whole family, and determined the ICHRA's affordability using the employee's worksite ZIP code
<b>1R</b>	ICHRA that is NOT affordable offered to employee; employee and spouse, or dependent(s); or employee, spouse and dependents	The employer offered an ICHRA to the employee and/or the employee's family that was not affordable
<b>1S</b>	ICHRA offered to an individual who was not a full-time employee	The employer offered an ICHRA to a non-full-time employee
<b>1T</b>	ICHRA offered to employee and spouse (no dependents) with affordability determined using employee's primary residence location ZIP code	The employer offered an ICHRA to the employee and spouse, and determined the ICHRA's affordability using the employee's residence ZIP code
<b>1U</b>	ICHRA offered to employee and spouse (no dependents) using employee's primary employment site ZIP code affordability safe harbor	The employer offered an ICHRA to the employee and spouse, and determined the ICHRA's affordability using the employee's worksite ZIP code
<b>1V-1Z</b>	Reserved for future use.	

### Cost of Coverage (Line 15)

In many cases, ALEs that offer MEC will have to report the employee's required contribution for self-only coverage on Line 15 of the Form 1095-C. Specifically, the information that must be entered is the amount of the employee's share of the lowest-cost monthly premium for self-only MEC providing MV that is offered to the employee. This will be a dollar amount, including any cents.

The amount entered on Line 15 may not be the amount the employee is paying for the coverage, if the employee chose to enroll in more expensive coverage offered by the ALE.

The required contribution amount reported on Line 15 will not necessarily be the cost of the coverage in which the employee actually enrolled. For example, an employee may enroll in a more expensive coverage option (such as family coverage). The ALE should still enter the lowest-cost monthly premium for self-only coverage that was offered to the employee.

An ALE is required to complete Line 15 of an employee's Form 1095-C only if Code **1B, 1C, 1D, 1E, 1J, 1K, 1L, 1M, 1N, 1O, 1P, 1Q, 1T, or 1U** is entered on Line 14 (either in the "All 12 Months" box or in any of

the monthly boxes). If any other code is entered on Line 14 for any month, the ALE should leave Line 15 blank for that month.

To determine the employee's monthly contribution amount, an ALE may divide the total employee share of the premium for the plan year by the number of months in the plan year. The resulting amount will be entered into the boxes for each month of the calendar year that falls within the plan year.

$$\text{Monthly employee required contribution} = \frac{\text{Total employee required contribution for the plan year}}{\text{Number of months in the plan year}}$$

If the employee is offered coverage but is not required to contribute any amount toward the premium, the ALE will enter "0.00." Line 15 must not be left blank if Code **1B, 1C, 1D, 1E, 1J, 1K, 1L, 1M, 1N, 1O, 1P, 1Q, 1T or 1U** was entered on Line 14, either for that month or for all 12 months.

### Section 4980H Safe Harbor and Other Relief (Line 16)

ALEs will complete Line 16 of the Form 1095-C to indicate whether a Section 4980H safe harbor or other relief applies for the employee. The information on the Section 4980H safe harbors is reported using indicator codes from Code Series 2.

Entering a safe harbor code will tell the IRS why an employer shared responsibility penalty would not apply for that employee for a month. For example, the employee may not have been employed for a month, the employee may have enrolled in the coverage offered or specific other relief might apply.

***If no code from Code Series 2 applies for a calendar month, Line 16 will be left blank.***

Only one code from Code Series 2 may be used for a particular month, even if more than one situation applies to the same employee in the same month. For example, an employee could be enrolled in health coverage for a particular month (Code 2C) during which they are not a full-time employee (Code 2B). However, the ALE would only enter one of those applicable codes (in this case, Code 2C).

The code descriptions in the table below address which code to use for a month if more than one code from Code Series 2 could apply.

#### **Which code should be used if the employee waived coverage?**

There is no safe harbor code for a situation where the employee was offered coverage but declined to enroll in (or waived) the coverage. On its own, a waiver of coverage does not exempt an ALE from penalties. The ALE must show that its coverage met the applicable requirements or that some other relief applies. For example, the ALE could show that its coverage was affordable using Code 2F, 2G or 2H.

## Code Series 2

Code	Description	Instructions
2A	Employee not employed during the month	<p>Enter Code 2A if the employee was not employed on any day of the calendar month.</p> <p>Do not use Code 2A for a month if the individual was an employee of the ALE on any day of the calendar month.</p> <p>Do not use Code 2A for the month during which an employee terminates employment with the ALE.</p>
2B	Employee not a full-time employee	<p>Enter Code 2B if the employee is not a full-time employee for the month and did not enroll in MEC, if it was offered for the month.</p> <p>Also enter Code 2B if the employee is a full-time employee for the month who terminated employment during the month and the offer of coverage (or coverage, if the employee was enrolled) ended before the last day of the month solely because the employee terminated employment during the month.</p>
2C	Employee enrolled in health coverage offered	<p>Enter Code 2C for any month in which the employee enrolled for each day of the month in health coverage offered by the ALE, regardless of whether any other code in Code Series 2 might also apply (for example, the code for a Section 4980H affordability safe harbor), except as provided below.</p> <p>Do not enter Code 2C on Line 16 for any month in which the multiemployer interim rule relief applies (enter Code 2E).</p> <p>Do not enter Code 2C on Line 16 if Code 1G is entered on Line 14.</p> <p>Do not enter Code 2C on Line 16 for any month in which a terminated employee is enrolled in COBRA continuation coverage or other post-employment coverage (enter Code 2A).</p> <p>Do not enter Code 2C on Line 16 for any month in which the employee enrolled in coverage that was not MEC.</p>
2D	Employee in a Section 4980H(b) Limited Non-assessment Period	<p>Enter Code 2D for any month during which an employee is in a Section 4980H(b) Limited Non-assessment, such as a waiting period or initial measurement period. See below for more information on Limited Non-assessment Periods.</p> <p>If an employee is in an initial measurement period, enter Code 2D (employee in a Section 4980H(b) Limited Non-assessment Period) for the month, and not Code 2B (employee not a full-time employee).</p> <p>For an employee in a Section 4980H(b) Limited Non-assessment Period for whom the ALE is also eligible for the multiemployer interim rule relief for the month, enter Code 2E (multiemployer interim rule relief) and not Code 2D (employee in a Section 4980H(b) Limited Non-assessment Period).</p>

<b>2E</b>	Multiemployer interim rule relief	Enter Code 2E for any month for which the multiemployer arrangement interim guidance applies for that employee, regardless of whether any other code in Code Series 2 (including Code 2C) might also apply. See below for more information about this relief. <b>Note.</b> Although ALEs may use the Section 4980H affordability safe harbors to determine affordability for purposes of the multiemployer arrangement interim guidance, an ALE eligible for the relief provided in the multiemployer arrangement interim guidance for a month for an employee should enter Code 2E (multiemployer interim rule relief), and not Codes 2F, 2G or 2H (codes for Section 4980H affordability safe harbors).
<b>2F</b>	Section 4980H affordability Form W-2 safe harbor	Enter Code 2F if the ALE used the Form W-2 safe harbor to determine affordability for purposes of Section 4980H(b) for this employee for the year. If an ALE uses this safe harbor for an employee, it must be used for all months of the calendar year for which the employee is offered health coverage.*
<b>2G</b>	Section 4980H affordability federal poverty line safe harbor	Enter Code 2G if the ALE used the federal poverty line safe harbor to determine affordability for purposes of Section 4980H(b) for this employee for any month(s).*
<b>2H</b>	Section 4980H affordability rate of pay safe harbor	Enter Code 2H if the ALE used the rate of pay safe harbor to determine affordability for purposes of Section 4980H(b) for this employee for any month(s).*
<b>2I</b>	Reserved for future use.	

**\*Note.** An affordability safe harbor code should not be entered on Line 16 for any month that the ALE did not offer MEC, including an ICHRA, to at least 95% of its full-time employees and their dependents (that is, any month for which the ALE checked the “No” box on Form 1094-C, Part III, Column (a)).

### Limited Non-assessment Periods

A Limited Non-assessment Period is a time period during which an ALE will not be subject to an employer shared responsibility penalty under Section 4980H(a), and in certain cases under Section 4980H(b), for a full-time employee, regardless of whether that employee is offered health coverage during that period. Limited Non-assessment Periods include:

- **First Calendar Month of Employment.** If the employee’s first day of employment is a day other than the first day of the calendar month, then the employee’s first calendar month of employment is a Limited Non-assessment Period.

In addition, the five periods described below are Limited Non-assessment Periods with respect to Sections 4980H(a) and 4980H(b) only if the employee is offered health coverage by the first day of the first month following the end of the period. They are considered Limited Non-assessment Periods for Section 4980H(b) only if the health coverage that is offered at the end of the period provides MV.

- **January through March of the First Calendar Year in Which an Employer is an ALE,** but only for an employee who was not offered health coverage by the employer at any point during the prior calendar year.

- **Waiting Period Under the Monthly Measurement Method**, beginning with the first full calendar month in which the employee is first otherwise (but for completion of the waiting period) eligible for an offer of health coverage and ending no later than two full calendar months after the end of that first calendar month.
- **Waiting Period Under the Look-back Measurement Method**, beginning on the employee's start date and ending no later than the end of the employee's third full calendar month of employment, if the employee is reasonably expected to be a full-time employee at their start date.
- **Initial Measurement Period and Associated Administrative Period Under the Look-back Measurement Method**, if the employee is a variable-hour employee, seasonal employee or part-time employee.
- **Period Following Change in Status that Occurs During Initial Measurement Period Under the Look-back Measurement Method**, beginning on the date of the employee's change in employment status and ending no later than the end of the third full calendar month following the change in employment status, if, as of the employee's start date, the employee is a variable-hour employee, seasonal employee or part-time employee, but, during the initial measurement period, the employee has a change in employment status such that, if the employee had begun employment in the new position or status, the employee would have reasonably been expected to be a full-time employee. If the employee is a full-time employee based on the initial measurement period and the associated stability period starts sooner than the end of the third full calendar month following the change in employment status, this Limited Non-assessment Period ends on the day before the first day of that associated stability period.

### Multiemployer Interim Rule Relief

An ALE is treated as having offered health coverage to an employee if the ALE is required (by a collective bargaining agreement or related participation agreement) to make contributions for that employee to a multiemployer plan that meets certain requirements. For the ALE to qualify for this relief, the multiemployer plan must:

- Offer health coverage that is affordable and provides MV to individuals who satisfy the plan's eligibility conditions; and
- Offer health coverage to those individuals' dependents.

For reporting offers of coverage for 2024, an ALE relying on the multiemployer arrangement interim guidance should enter Code 1H on Line 14 for any month for which the ALE enters Code 2E on Line 16 (indicating that the ALE was required to contribute to a multiemployer plan on behalf of the employee for that month, and, therefore, is eligible for multiemployer interim rule relief).

For reporting for 2024, Code 1H may be entered without regard to whether the employee was eligible to enroll or enrolled in coverage under the multiemployer plan. For reporting for 2025 and future years, ALEs relying on the multiemployer arrangement interim guidance may be required to report offers of coverage made through a multiemployer plan in a different manner.



## Part III: Information About Individuals Enrolled in Self-insured Coverage

ALEs that offer self-insured health plans are generally required to use Form 1095-C, Part III, to meet the Section 6055 reporting requirements (instead of Form 1095-B). If the ALE is completing Part III, it will enter “X” in the checkbox in Part III. If the ALE is not completing Part III, it will not enter “X” in the checkbox in Part III.

An ALE should complete Part III of Form 1095-C **only** if it offers self-insured health coverage in which any employee or other individual enrolled. For this purpose, employer-sponsored self-insured health coverage does not include coverage under a multiemployer plan. If an ALE offers both insured and self-insured coverage, complete Part III only for employees who enroll in the self-insured coverage.

Part III of Form 1095-C must be completed by an ALE offering self-insured health coverage for any employee who enrolls in the self-insured coverage, **regardless of whether the employee is a full-time employee for any month of the calendar year.**

The employee (if enrolled in self-insured coverage) should be listed on **line 18**; any other family members who enrolled in coverage offered to the employee should be listed on subsequent lines. All employee family members that are covered individuals through the employee’s or individual’s enrollment (for example, because the employee elected family coverage) must be included on the same form as the employee (or the individual to whom the offer was made).

### ALEs Offering a Self-insured Major Medical Plan and an HRA

An ALE with a self-insured major medical plan and an HRA that has an individual who enrolls in both types of minimum essential coverage must report the individual’s coverage under only one arrangement. An ALE with an insured major medical plan and an HRA is not required to report HRA coverage of an individual if the individual is eligible for the HRA because they enrolled in the insured major medical plan. However, an ALE with an HRA must report coverage under the HRA in Part III for any individual who is not enrolled in a major medical plan of the ALE (for example, if the individual is enrolled in a group health plan of another employer (such as spousal coverage)).

### Coverage of Non-employees

Part III **may** be completed by an ALE offering self-insured health coverage for any other individual who enrolled in the coverage under the plan for one or more calendar months of the year but **was not an employee** for any calendar month of the year (such as a non-employee director, a retired employee who retired in a previous year, a terminated employee receiving COBRA coverage (or any other form of post-employment coverage) who terminated employment during a previous year, and a non-employee COBRA beneficiary--but not including an individual who obtained coverage through the employee’s enrollment, such as a spouse or dependent obtaining coverage when an employee elects family coverage). Alternatively, ALEs offering self-insured health coverage to non-employees who enroll in the coverage may use Forms 1094-B and 1095-B to report coverage for those individuals and other family members. For information on reporting for non-employees enrolled in an ALE’s self-insured health plan using Forms 1094-B and 1095-B, please contact Higginbotham.

# Chapter 7: Completing Form 1094-C

## Complete One Form 1094-C as the Authoritative Transmittal

Every ALE is required to file at least one Form 1094-C with the IRS. Although ALEs may file more than one Form 1094-C with its returns, every ALE must designate only one Form 1094-C as its **Authoritative Transmittal** for all of its returns.

An ALE's Authoritative Transmittal is used to report all of the information that is required for the ALE (the aggregate employer-level data for the ALE). To designate a Form 1094-C as the Authoritative Transmittal, the ALE checks the box on Line 19 and completes Parts II, III and IV, to the extent applicable.

Any additional Forms 1094-C filed by or on behalf of the ALE must **not** be designated as an Authoritative Transmittal and must only include information about the number of Forms 1095-C that are attached to that specific Form 1094-C.

An ALE's **Authoritative Transmittal** is used to report aggregate-level data about the ALE and its employees.

This situation may occur if the ALE is sending some of its Forms 1095-C in separate batches. The additional Forms 1094-C that the ALE files with the separate batches of Forms 1095-C must also include the information about the ALE in Part I and a completed signature line. The remaining parts of the additional Forms 1094-C must be left blank.

## Part I: Applicable Large Employer Member (ALE Member)

### Information About the Employer (Lines 1-18)

In Part I of all Forms 1094-C that an ALE includes in its returns, the ALE must report its:

- Employer name, EIN and complete address; and
- The name and telephone number of the person whom the ALE designates as the person to contact who is responsible for answering any questions from the IRS regarding the filing of or information reported on Forms 1094-C or 1095-C.

If a Designated Governmental Entity (DGE) is filing on behalf of the ALE, the DGE must include its name, EIN, address, contact person and telephone number as well.

On Line 18 of every Form 1094-C, the ALE must enter the total number of Forms 1095-C that the ALE is filing with that particular Form 1094-C.

### Authoritative Transmittal Designation (Line 19)

The ALE must check the box on Line 19 on **only one** Form 1094-C. This designates that Form 1094-C as the ALE's Authoritative Transmittal. On the Form 1094-C that is designated as the ALE's Authoritative Transmittal, the ALE must complete all applicable parts discussed below.

If the Form 1094-C is **not** designated as the Authoritative Transmittal, the ALE must leave the rest of the form blank (Parts II, III and IV), except for the signature line. The signature line must be completed on all Forms 1094-C that an ALE includes in its returns.

## Part II: ALE Member Information

### Information About the Employer and Returns (Lines 20-21)

In Part II of its Authoritative Transmittal Form 1094-C, the ALE must enter:

- The total number of Forms 1095-C it is filing (including any that the ALE may send in separate batches with separate Forms 1094-C, but not counting continuation sheets) on Line 20; and
- An “X” on Line 21 in the “Yes” or “No” box to indicate whether the ALE is part of an Aggregated ALE Group.

Lines 20-22 should not be completed on any Forms 1094-C that are not the ALE’s Authoritative Transmittal.

### Certifications of Eligibility for Alternative Reporting Methods (Line 22)

If the ALE is using an alternative method of reporting, it must certify its eligibility to use the alternative reporting method by placing an “X” in the appropriate box on Line 22 of its Authoritative Transmittal. See Chapter 8 of this guide for more details about the alternative methods of reporting under Section 6056.

An eligible ALE may use one alternative method of reporting for some employees and another alternative method (or the general reporting method) for other employees. Therefore, depending on its eligibility and whether it is actually using the alternative reporting method(s), the ALE may place an “X” in one or more of the following at Line 22:

- **Box A:** to certify it is eligible to use (and is using) the Qualifying Offer Method for some or all of its employees; or
- **Box D:** to certify it is eligible to use (and is using) the 98% Offer Method.

Boxes B and C are reserved because they are not applicable for reporting in 2017 and later years.

It is possible for an ALE to check some, all or none of the boxes on Line 22 of the Authoritative Transmittal. None of these boxes should be checked on any Forms 1094-C that are not the ALE’s Authoritative Transmittal.

### Signature Line

An ALE must complete the signature line at the end of Part II on its Authoritative Transmittal, as well as on all Forms 1094-C that it files with the IRS.

## Part III: ALE Member Information—Monthly (Lines 23-35)

Part III of Form 1094-C includes five columns—Columns (a) through (e).

- All ALEs must enter information in Columns (a) and (c) on their Authoritative Transmittal. These columns are used to report information about the ALE’s employees, along with the coverage offered (or not offered) to those employees, in all months of the calendar year.
- Columns (b) and (d) will only be completed if they apply for the ALE. See below for more information on these columns.
- Column (e) is reserved because it is not applicable for reporting in 2017 and later years.

An ALE must complete Part III only on its Authoritative Transmittal Form 1094-C. Part III should not be completed on any Forms 1094-C that are not the ALE's Authoritative Transmittal.

### Column (a)—Minimum Essential Coverage (MEC) Indicator

Column (a) is used to indicate whether the ALE offered MEC to “substantially all” of its full-time employees (and their dependents) for each calendar month of the reporting year.

**“Substantially all”**  
means 95% of the ALE's  
full-time employees

If the answer is the same for all 12 months, the ALE can complete Line 23 and leave Lines 24-35 blank. If the answer is **not** the same for all 12 months, Lines 24-35 will have to be completed.

Column (a) If MEC was offered to “substantially all” of the ALE's full-time employees (and dependents):	
<b>For every month of the year</b>	Enter an “X” in the “Yes” box on Line 23 for “All 12 Months” (or in the “Yes” boxes on Lines 24-35 for each individual calendar month).
<b>For only certain calendar months</b>	Enter an “X” in the “Yes” or “No” boxes, as applicable, on Lines 24-35.
<b>No months of the year</b>	Enter an “X” in the “No” box on Line 23 for “All 12 Months” (or in the “No” boxes on Lines 24-35 for each individual calendar month).

### Column (b)—Full-time Employee Count

Unless the ALE certified (on Line 22 of the Authoritative Transmittal) that it is eligible to use the 98% Offer Method of reporting (see Chapter 8 of this guide for more information on this method), the ALE must enter the number of full-time employees it employed, in either the “All 12 months” box on Line 23, or the boxes for each calendar month of the reporting year on Lines 24-35, in Column (b).

### Column (c)—Total Employee Count

All ALEs must enter the total number of employees (both part-time and full-time) that they employed during the calendar year, for either all 12 months on Line 23 or for each of the calendar months of the reporting year on Lines 24-35, in Column (c).

The number should include all employees, even those who were in a Limited Non-assessment Period, for each calendar month. An ALE must choose one of the following days of the month to determine the number of employees for the month and use that day for all months of the year:

- First day of each month;
- Last day of each month;
- Twelfth day of each month;
- First day of the first payroll period that starts during each month; or
- Last day of the first payroll period that starts during each month (but only if this day always falls within the same month as the beginning of the payroll period used).

## Column (d)—Aggregated Group Indicator

An ALE will only complete Column (d) if it indicated (on Line 21) that it is part of an Aggregated Group.

If the ALE indicated that it is part of an Aggregated ALE Group (and is, therefore, an “ALE Member”), the ALE Member would complete Column (d) by placing an “X” in the boxes for the appropriate time period.

<b>Column (d)</b> <b>If the ALE Member was part of an Aggregated ALE Group:</b>	
<b>For the entire year</b>	Enter an “X” in the box on Line 23 for “All 12 Months” (or on Lines 24-35 for each individual calendar month).
<b>For only certain calendar months</b>	Enter an “X” in all boxes on Line 23-35 for each month that it was part of the Aggregated ALE Group, and leave the other boxes blank.

## Part IV: Other ALE Members of Aggregated ALE Group

An ALE will only complete Part IV of the Authoritative Transmittal Form 1094-C if it indicated (on Line 21) that it is an ALE Member of an Aggregated ALE Group. If the ALE indicated that it is an ALE Member of an Aggregated ALE Group, the ALE will enter the name(s) and EIN(s) of up to 30 other ALE Members that are part of the same Aggregated ALE Group in Part IV.

If there are more than 30 members of the Aggregated ALE Group, the ALE must enter the 30 with the highest monthly average number of full-time employees (using the number reported in Part III, Column (b), if a number was required to be reported) for the year, or for the number of months during which the ALE Member was a member of the Aggregated ALE Group.

Regardless of the number of members in the Aggregated ALE Group, ALEs should list only the 30 members in descending order, listing first the member with the highest average monthly number of full-time employees. The employer must also complete Part III, Column (d), to indicate which months it was part of an Aggregated ALE Group.

Part IV should only be completed on the Authoritative Transmittal. Part IV should not be completed on any Forms 1094-C that are not the ALE’s Authoritative Transmittal.

# Chapter 8: Reporting Methods

## Overview of Reporting Methods

Different methods of reporting are available to ALEs—a **general reporting method**, which all ALEs may use, and **two alternative reporting methods** for ALEs that meet certain eligibility requirements.

The alternative methods of reporting are intended to minimize costs and administrative tasks for ALEs that qualify to use them. In certain situations, the alternative reporting methods allow ALEs to provide less detailed information than they would have to provide under the general method of reporting. In some cases, an ALE using an alternative method of reporting may also be able to provide simplified statements to full-time employees.

### Alternative Reporting Methods

**The Qualifying Offer Method:** Reporting Based on Certification of Qualifying Offers

**The 98% Offer Method:** Option to Report Without Separate Identification of Full-time Employees if Certain Conditions Related to Offers of Coverage Are Satisfied

If an ALE cannot use the alternative reporting methods for certain employees, the ALE must use the general method of reporting for those employees. The alternative reporting methods are all optional. This means that an ALE may choose to report for all of its full-time employees using the general reporting method, even if an alternative reporting method is available.

If an ALE is eligible to use an alternative reporting method with respect to one or more full-time employees, the ALE may:

- Use that alternative reporting method for those employees and the general reporting method for other employees; or
- Use any other available alternative method for other employees.

## General Reporting Method

Under the general method of reporting, the ALE files with the IRS:

- One Form 1094-C designated as its Authoritative Transmittal; and
- A separate Form 1095-C for each full-time employee (self-insuring ALEs must also file Form 1095-C for each employee who enrolls in the self-insured health coverage or enrolls a family member in the coverage, regardless of whether the employee is a full-time employee for any month of the calendar year).

In addition to the filing requirement, an ALE using the general method of reporting must furnish an individual statement upon request, that includes all of the information that the ALE must provide to the IRS on Form 1095-C regarding that employee (or covered individual, if applicable).

An ALE using the general method of reporting may furnish to each requesting full-time employee (and individual enrolled in self-insured coverage, if applicable) either:

- A copy of the Form 1095-C that it files with the IRS for that employee or covered individual; or
- A substitute statement that provides all of the same information requested on that form.

ALEs may file substitute forms, as long as the substitute forms:

- Include all of the information required on Form 1094-C and Form 1095-C;
- AND**
- Satisfy all form and content requirements, as specified by the IRS.

In contrast, ALEs reporting under an alternative method of reporting may, in some cases, furnish simplified statements to requesting employees in lieu of a copy of Form 1095-C.

Much of the information that is required in order to complete Forms 1094-C and 1095-C under the general reporting method is also required under the alternative reporting methods. In some cases, an ALE using an alternative reporting method may provide fewer details than it would have to provide under the general method of reporting. The general method of reporting also provides a framework for all ALEs to follow when completing their returns, regardless of the reporting method used.

## Alternative Reporting Methods

An ALE that uses an alternative method of reporting (as outlined in the Section 6056 regulations) must provide a **certification of eligibility** for the alternative method of reporting on its Form 1094-C. This certification is indicated on Line 22 of the Form 1094-C that is designated as the ALE's Authoritative Transmittal.

### Qualifying Offer Method

The Qualifying Offer Method is designed to ease the reporting burden for ALEs that offer health plans at low cost to their full-time employees. For these ALEs, simplified reporting would provide sufficient information to the IRS to determine whether an employer shared responsibility penalty may apply.

For eligible ALEs, the Qualifying Offer Method provides:

- An alternative method of completing Form 1095-C; and
- An alternative method of furnishing Form 1095-C to certain full-time employees (note that pursuant to new legislation, the Form 1095-C now only needs to be provided upon request).

The Qualifying Offer Method applies on an employee-by-employee basis. Therefore, ALEs may be eligible to use the Qualifying Offer Method for some of their employees but not others.

To be eligible to use the Qualifying Offer Method, an ALE must certify that it made a "Qualifying Offer" to at least one full-time employee (for whom an employer shared responsibility penalty could apply) for all months during the year in which the employee was a full-time employee.

A **Qualifying Offer** was made if the ALE offered:

- MEC providing minimum value to a full-time employee at an employee cost for self-only coverage not exceeding **9.5% (as adjusted) of the mainland single federal poverty line**; and
- MEC to the employee's **spouse and dependents**.

An ALE will certify that it made a Qualifying Offer to one or more full-time employees by checking the "Qualifying Offer Method" box in Part II, Line 22 of Form 1094-C. See Chapter 7 of this guide for more information about completing the Form 1094-C.

If the ALE certifies that it made a Qualifying Offer to one or more full-time employees, it can use the **alternative method of completing Form 1095-C** for those employees who received a Qualifying Offer. However, additional requirements must be met to be able to use the **simplified method of furnishing Form 1095-C** to the full-time employees.

#### *Alternative Method of Completing Form 1095-C Under the Qualifying Offer Method*

An ALE using the Qualifying Offer Method for a full-time employee may use a simplified method for completing Form 1095-C for that full-time employee.

#### Completing Form 1095-C Under the Qualifying Offer Method

<b>Line 14</b>	Enter <b>Code 1A</b> in in the "All 12 months" box (or each applicable monthly box)
<b>Line 15</b>	Leave the boxes blank for all months in which Code 1A was entered on Line 14
<b>Line 16</b>	The ALE may, but is not required, to enter an applicable code on Line 16 for any month for which Code 1A is entered on Line 14. A Qualifying Offer, by definition, falls within an affordability safe harbor even if no code is entered on Line 16.

Code 1A may be used to report for specific months in which a Qualifying Offer was made, even if the employee did not receive a Qualifying Offer for all 12 months of the calendar year. However, an ALE **may not use the simplified method of furnishing Form 1095-C** described below for an employee who did not receive a Qualifying Offer for all 12 calendar months.

An ALE is not required to use the Qualifying Offer Method, even if it is eligible. Instead, the ALE may enter the applicable Offer of Coverage code on Line 14 and then enter the employee required contribution on Line 15.

#### *Furnishing Form 1095-C Under the Qualifying Offer Method*

An ALE that is eligible to use the Qualifying Offer Method may use the simplified method of furnishing Form 1095-C only for a full-time employee who:

- Received a Qualifying Offer for all 12 months of the calendar year; and
- Did not enroll in employer-sponsored self-insured coverage.

For these employees, the ALE may furnish either a copy of Form 1095-C as filed with the IRS or a **simplified employee statement** containing the following information. Note that for calendar year 2024 reporting and beyond, these statements **need only be provided upon request**.



- The ALE's name, address and EIN;
- The contact name and telephone number at which the employee may receive information about the offer of coverage and the information on the Form 1095-C filed with the IRS for that employee;
- Notification that, for all 12 months of the calendar year, the employee (and their spouse and dependents) received a Qualifying Offer and therefore is not eligible for a premium tax credit; and
- Information directing the employee to see [Pub. 974, Premium Tax Credit \(PTC\)](#), for more information on eligibility for the credit.

An ALE may not use the simplified furnishing method for a full-time employee who enrolled in self-insured coverage. These employees will need to receive information regarding their enrollment in the self-insured coverage, which is reported on Form 1095-C, Part III. As a result, if requested, the ALE must furnish Form 1095-C (including the information reporting enrollment in the coverage on Form 1095-C, Part III) for any employees who enrolled in self-insured coverage.

An ALE is not required to use the simplified method of furnishing for an employee even if the simplified method would be allowed. Instead, the ALE may furnish a copy of Form 1095-C as filed with the IRS (with or without the statement described above) to employees that request a statement.

## 98% Offer Method

The 98% Offer Method is designed to ensure that an ALE has offered coverage to “substantially all” of its full-time employees, and therefore is not subject to an employer shared responsibility penalty, without having to know which reported employees are full-time and which are part-time.

An ALE can use the **98% Offer Method** if:

- It offered MEC that is affordable and provides minimum value to **at least 98% of its full-time employees** on whom it reports on its Section 6056 return; and
- It offered MEC to those employees' dependent(s).

An ALE will certify that it is eligible to use the 98% Offer Method by checking the “98% Offer Method” box in Part II, Line 22 of Form 1094-C. See Chapter 7 of this guide for more information about completing the Form 1094-C.

For eligible ALEs, the 98% Offer Method provides only an alternative method of completing Form 1094-C. An ALE using the 98% Offer Method does **not** have to provide its full-time employee count in Part III, Column (b) of Form 1094-C (as required under the general method of reporting and the other alternative method of reporting).

The 98% Offer Method does not provide an alternative method of completing or furnishing Forms 1095-C. An ALE using the 98% Method is still required to file a separate Form 1095-C on behalf of all its full-time employees. Reporting is still required under the normal rules for all full-time employees, including those not offered coverage.

# Chapter 9: How to File and Furnish

## Manner of Filing and Furnishing

In general, ALEs may furnish statements to requesting employees and covered individuals and file returns with the IRS on paper or electronically. **However, employers that file at least 10 returns during the calendar year must file electronically.** Under the original rules, any reporting entity that was required to file at least 250 individual statements (Forms 1095-C) had to file electronically. However, the IRS lowered the 250-return threshold for mandatory electronic reporting to 10 returns, and this threshold **applies in the aggregate** to certain information returns. This means that a reporting entity may be required to file fewer than 10 individual statements, but still have an electronic filing obligation based on other kinds of information returns filed (e.g., Forms W-2 and 1099). Due to the lowered threshold, only the smallest employers will be permitted to file using paper returns.

Electronic filing is performed using the ACA Information Returns (AIR) Program. [Pub. 5165, Guide for Electronically Filing ACA Information Returns for Software Developers and Transmitters](#), provides very detailed technical information regarding standards for software developers and transmitters that plan to facilitate this electronic reporting through the AIR System.

When filing forms electronically, the formatting set forth in the Extensible Markup Language (XML) Schemas and business rules published on IRS.gov must be followed. More information can be found on the IRS' [ACA Information Returns \(AIR\) Program webpage](#).

## How to File Returns With the IRS

Although paper filing is permitted in limited circumstances, the IRS encourages ALEs to file all of their returns **electronically** using the AIR system.

## Waiver of the Electronic Reporting Requirement

ALEs may request a waiver from the requirement to file returns electronically by submitting [Form 8508](#). ALEs are encouraged to file Form 8508 at least **45 days** before the due date of the returns, but no later than the due date of the return. The IRS does not process waiver requests until Jan. 1 of the calendar year the returns are due.

ALEs cannot apply for a waiver for more than one tax year at a time, and must reapply at the appropriate time for each year in which a waiver is required. Any approved waivers should be kept for the ALE's records only. A copy of an approved waiver should not be sent to the service center where paper returns are filed.

If a waiver for original returns is approved, any corrections for the same types of returns will be covered under the waiver. However, if original returns are submitted electronically, but the ALE wants to submit corrections on paper, a waiver must be approved for the corrections if the ALE must file 10 or more corrections.

Without an approved waiver, an ALE that is required to file electronically but fails to do so may be subject to a penalty of up to **\$330** per return (as adjusted each year), unless it can establish reasonable cause. However, ALEs can file up to 10 returns on paper, and those returns will not be subject to a penalty for failure to file electronically.

## Paper Filing

If an ALE is filing **fewer than 10** Forms 1095-C, the ALE may file its returns with the IRS on paper as long as the returns comply with the specifications for the private printing of substitute information returns found in [Pub. 5223](#). An ALE that files its returns on paper must send the forms to the IRS:

- In a flat mailing (not folded and without paperclipping or stapling the forms together);
- In conveniently sized packages; and
- Via First Class Mail.

Returns filed with the IRS must be printed in landscape format.

On each package, the ALE must write its name and a sequential number. The ALE's Authoritative Transmittal Form 1094-C must be sent in package number one. Returns filed with the IRS must be printed in landscape format. More information can be found in the [IRS Instructions for Forms 1094-C and 1095-C](#).

## Corrected Forms

If an ALE discovers an error in the returns it has filed with the IRS, the ALE should file a corrected return as soon as possible.

## How to Furnish Individual Statements

ALEs must generally furnish a **paper** statement to any full-time employee that requests it (and, if applicable, any individual enrolled in the self-insured health coverage that requests a statement). However, an ALE may furnish a statement **electronically** if it has obtained the employee's affirmative consent **at any prior time** (unless they have revoked such consent in writing).

## Paper Furnishing

If requested, an ALE must furnish its paper statements to full-time employees (and, if applicable, individuals enrolled in the self-insured health coverage) via hand-delivery or by properly addressing and mailing them to the employees'/covered individuals' last known permanent addresses. The statements must be delivered or mailed on or before the applicable due date.

## Electronic Furnishing

An individual's affirmative consent for electronic delivery of a statement must meet specific requirements before the ALE may rely on the consent:

- An individual may provide the required consent for electronic delivery on paper or electronically (for example, by email).
- If the consent is on paper, the individual must also confirm the consent electronically.
- The consent must specifically identify each form.
- An employee's consent to receive a Form W-2 electronically may not be considered consent to also receive the statement electronically.
- It is not sufficient for an entity to simply post the information on a website accessible to the individual or to provide the information only upon request.

**If the ALE has obtained the proper consent from an individual at any prior time, it may furnish the statement by email or by informing the individual how to access the statement on the employer’s website.**

### Notice to Receive Statements Upon Request

ALEs must provide individuals with a **“clear, conspicuous, and accessible”** notice of the option to request a statement, in accordance with any requirements set by the IRS. While the IRS has not outlined how to timely give notice of the option to request Forms 1095-C, the requirements regarding the alternative manner of furnishing Forms 1095-B still apply. Under this alternative manner of furnishing, the ALE must post a clear and conspicuous notice on its website stating that these individuals may receive a copy of their statement upon request and must furnish a statement to a requesting individual within 30 days of the date the request is received. The notice must include an email address, a physical address to which a request may be sent and a telephone number to contact the reporting entity with any questions. For 2024 statements, ALEs must post the notice by March 3, 2025, and must retain the website notice through Oct. 15, 2025.

# Chapter 10: Penalties

## Penalties for Reporting Violations

An ALE may face penalties if it fails to satisfy its reporting obligations. These penalties are separate from the ACA's employer shared responsibility penalties.

The tax code contains the following penalty provisions:

- **Code Section 6721:** Failure to file correct information returns with the IRS.
- **Code Section 6722:** Failure to furnish correct statements to individuals.

Reporting penalties may be waived if an ALE's failure is due to reasonable cause and not to willful neglect. The penalties may be reduced if an ALE corrects a failure within a certain period of time.

Penalty amounts are indexed to increase with inflation each year. The adjusted penalty amounts are as follows:

Penalty Type	Per Violation		Annual Maximum	
	2024	2025	2024	2025
<b>For Returns Due In:</b>				
<b>General</b>	\$310	\$330	\$3,783,000	\$3,987,000
<b>Corrected within 30 days</b>	\$60	\$60	\$630,500	\$664,500
<b>Corrected after 30 days, but before Aug. 1</b>	\$120	\$130	\$1,891,500	\$1,993,500
<b>Intentional disregard*</b>	\$630	\$660	No Limit	

*\*For failures due to intentional disregard of the filing requirement, the penalty will be equal to the greater of either the listed penalty amount or 10% of the aggregate amount of the items required to be reported correctly.*

Also, lower annual maximums apply for entities that have average annual gross receipts of up to \$5 million for the three most recent taxable years, as follows:

Penalty Type	Per Violation		Annual Maximum for Small Employers	
	2024	2025	2024	2025
<b>For Returns Due In:</b>				
<b>General</b>	\$310	\$330	\$1,261,000	\$1,329,000
<b>Corrected within 30 days</b>	\$60	\$60	\$220,500	\$232,500
<b>Corrected after 30 days, but before Aug. 1</b>	\$120	\$130	\$630,500	\$664,500
<b>Intentional disregard*</b>	\$630	\$660	No Limit	

*\*For failures due to intentional disregard of the filing requirement, the penalty will be equal to the greater of either the listed penalty amount or 10% of the aggregate amount of the items required to be reported correctly.*

In addition, **an ALE that is required to file electronically but fails to do so may be subject to a penalty of up to \$330 per return** (as adjusted each year), unless the IRS has approved a request for a waiver of the electronic filing requirement or the ALE can establish reasonable cause for failing to file electronically. However, ALEs can file up to 10 returns on paper; those returns will not be subject to a penalty for failure to file electronically.

### Good-faith Transition Relief From Penalties No Longer Available

For reporting years prior to 2021, the IRS provided transitional penalty relief for reporting entities that could show that they made good-faith efforts to comply with the information reporting requirements. However, the transitional good-faith relief from penalties for reporting incorrect or incomplete information on information returns or statements **is not available for reporting for tax year 2021 and subsequent years.**

# Thank you for using the Applicable Large Employer ACA Reporting Guide!

Please contact us if you have questions regarding the information in this guide or need assistance with other aspects of the ACA's reporting requirements.

**Higginbotham**

